

PUBLIC REPORT OF THE MARKET CONDUCT EXAMINATION  
OF THE CLAIMS PRACTICES OF THE

**Hartford Fire Insurance Company**  
**NAIC # 19682 CDI # 0085-1**  
**Hartford Accident and Indemnity Company**  
**NAIC# 22357 CDI# 0440-8**  
**Hartford Casualty Insurance Company**  
**NAIC# 29424 CDI# 3099-9**  
**Hartford Underwriters Insurance Company**  
**NAIC# 30104 CDI# 3162-5**  
**Hartford Insurance Company of the Midwest**  
**NAIC# 37478 CDI# 3089-0**  
**Twin City Fire Insurance Company**  
**NAIC# 29459 CDI# 3100-5**  
**Property and Casualty Insurance Company of Hartford**  
**NAIC# 34690 CDI# 4666-4**

AS OF JUNE 30, 2003

**STATE OF CALIFORNIA**



**DEPARTMENT OF INSURANCE**  
**MARKET CONDUCT DIVISION**  
**FIELD CLAIMS BUREAU**

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**DEPARTMENT OF INSURANCE**

Consumer Services and Market Conduct Branch  
Field Claims Bureau, 11th Floor  
300 South Spring Street  
Los Angeles, CA 90013



July 16, 2004

The Honorable John Garamendi  
Insurance Commissioner  
State of California  
45 Fremont Street  
San Francisco, California 94105

Honorable Commissioner:

Pursuant to instructions, and under the authority granted under Part 2, Chapter 1, Article 4, Sections 730, 733, 736, and Article 6.5, Section 790.04 of the California Insurance Code; and Title 10, Chapter 5, Subchapter 7.5, Section 2695.3(a) of the California Code of Regulations, an examination was made of the claims practices and procedures in California of:

**Hartford Fire Insurance Company NAIC # 19682**

**Hartford Accident and Indemnity Company NAIC# 22357**

**Hartford Casualty Insurance Company NAIC# 29424**

**Hartford Underwriters Insurance Company NAIC# 30104**

**Hartford Insurance Company of the Midwest NAIC# 37478**

**Twin City Fire Insurance Company NAIC# 29459**

**Property and Casualty Insurance Company of Hartford NAIC# 34690**

Hereinafter referred to as HFIC, HAIC, HCIC, HUIC, HIMW, TCF, P&C or the Companies.

This report is made available for public inspection and is published on the California Department of Insurance web site ([www.insurance.ca.gov](http://www.insurance.ca.gov)) pursuant to California Insurance Code section 12938.

## **SCOPE OF THE EXAMINATION**

The examination covered the claims handling practices of the aforementioned Companies during the period July 1, 2002 through June 30, 2003. The examination was made to discover, in general, if these and other operating procedures of the Companies conform with the contractual obligations in the policy forms, to provisions of the California Insurance Code (CIC), the California Code of Regulations (CCR), the California Vehicle Code (CVC) and case law. This report contains only alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al. Any alleged violations of other relevant laws which may result from this examination will be included in a separate report which will remain confidential subject to the provisions of CIC Section 735.5.

To accomplish the foregoing, the examination included:

1. A review of the guidelines, procedures, training plans and forms adopted by the Companies for use in California including any documentation maintained by the Companies in support of positions or interpretations of fair claims settlement practices.
2. A review of the application of such guidelines, procedures, and forms, by means of an examination of claims files and related records.
3. A review of consumer complaints received by the California Department of Insurance (CDI) in the most recent year prior to the start of the examination.

The examination was conducted primarily at the Companies' claims offices in Phoenix, Arizona and Rancho Cordova, California.

The report is written in a "report by exception" format. The report does not present a comprehensive overview of the subject insurer's practices. The report contains only a summary of pertinent information about the lines of business examined and details of the non-compliant or problematic activities or results that were discovered during the course of the examination along with the insurer's proposals for correcting the deficiencies. When a violation is discovered that results in an underpayment to the claimant, the insurer corrects the underpayment and the additional amount paid is identified as a recovery in this report. All unacceptable or non-compliant activities may not have been discovered, however, and failure to identify, comment on or criticize activities does not constitute acceptance of such activities.

Any alleged violations identified in this report and any criticisms of practices have not undergone a formal administrative or judicial process.

## CLAIM SAMPLE REVIEWED AND OVERVIEW OF FINDINGS

The examiners reviewed files drawn from the category of Closed Claims for the period July 1, 2002 through June 30, 2003, commonly referred to as the “review period”. The examiners reviewed 51 HFIC claim files, 7 HAIC claim files, 132 HCIC claim files, 268 HUIC claim files, 34 HIMW claim files, 56 TCF claim files and 3 P&C claim files. The examiners cited 183 claims handling violations of the Fair Claims Settlement Practices Regulations and/or California Insurance Code Section 790.03 within the scope of this report. Further details with respect to the files reviewed and alleged violations are provided in the following tables and summaries.

<b>Hartford Fire Insurance Company (HFIC)</b>			
<b>CATEGORY</b>	<b>CLAIMS FOR REVIEW PERIOD</b>	<b>REVIEWED</b>	<b>CITATIONS</b>
Personal Automobile - Collision	1	1	0
Personal Automobile – Property Damage	3	1	1
Personal Automobile – Bodily Injury	1	1	0
Personal Automobile – Medical Payments	1	1	0
Homeowners	236	5	1
Commercial	6403	30	2
Workers’ Compensation	575	12	3
<b>TOTALS</b>	7220	51	7

<b>Hartford Accident and Indemnity Company (HAIC)</b>			
<b>CATEGORY</b>	<b>CLAIMS FOR REVIEW PERIOD</b>	<b>REVIEWED</b>	<b>CITATIONS</b>
Personal Automobile – Medical Payments	1	1	0
Commercial	57	1	0
Workers’ Compensation	109	5	0
<b>TOTALS</b>	167	7	0

<b>Hartford Casualty Insurance Company (HCIC)</b>			
<b>CATEGORY</b>	<b>CLAIMS FOR REVIEW PERIOD</b>	<b>REVIEWED</b>	<b>CITATIONS</b>
Personal Automobile - Collision	4359	15	0
Personal Automobile – Property Damage	3029	14	14
Personal Automobile – Bodily Injury	1128	16	11
Personal Automobile – Uninsured Motorist Property Damage	74	15	23
Personal Automobile – Uninsured Motorist Bodily Injury	234	16	2
Personal Automobile – Medical Payments	854	3	0
Homeowners	2358	7	3
Commercial	5940	30	0
Workers’ Compensation	475	16	4
<b>TOTALS</b>	11451	132	57

<b>Hartford Underwriters Insurance Company (HUIC)</b>			
<b>CATEGORY</b>	<b>CLAIMS FOR REVIEW PERIOD</b>	<b>REVIEWED</b>	<b>CITATIONS</b>
Personal Automobile - Collision	9678	33	9
Personal Automobile - Comprehensive	4155	62	30
Personal Automobile – Property Damage	7125	31	11
Personal Automobile – Bodily Injury	2107	16	8
Personal Automobile – Uninsured Motorist Property Damage	161	32	20
Personal Automobile – Uninsured Motorist Bodily Injury	331	20	8
Personal Automobile – Medical Payments	1768	17	0
Homeowners	6237	46	15
Commercial	195	1	0
Workers’ Compensation	1,010	10	0
<b>TOTALS</b>	32767	268	101

<b>Hartford Insurance Company of The Midwest (HIMW)</b>			
<b>CATEGORY</b>	<b>CLAIMS FOR REVIEW PERIOD</b>	<b>REVIEWED</b>	<b>CITATIONS</b>
Personal Automobile - Collision	1	1	0
Personal Automobile – Property Damage	1	1	1
Homeowners	10	2	1
Commercial	720	3	0
Workers’ Compensation	1963	27	5

<b>Hartford Insurance Company of The Midwest (HIMW)</b>			
<b>CATEGORY</b>	<b>CLAIMS FOR REVIEW PERIOD</b>	<b>REVIEWED</b>	<b>CITATIONS</b>
<b>TOTALS</b>	2685	34	7

<b>Twin City Fire Insurance Company (TCF)</b>			
<b>CATEGORY</b>	<b>CLAIMS FOR REVIEW PERIOD</b>	<b>REVIEWED</b>	<b>CITATIONS</b>
Personal Automobile - Collision	1900	1	0
Personal Automobile - Comprehensive	616	5	3
Personal Automobile – Property Damage	1332	7	1
Personal Automobile – Bodily Injury	452	7	0
Personal Automobile – Uninsured Motorist Property Damage	34	7	0
Personal Automobile – Uninsured Motorist Bodily Injury	121	9	0
Personal Automobile – Medical Payments	383	3	0
Commercial	476	2	0
Workers’ Compensation	1113	15	7
<b>TOTALS</b>	6427	56	11



<b>Property and Casualty Insurance Company of Hartford (P&amp;C)</b>			
<b>CATEGORY</b>	<b>CLAIMS FOR REVIEW PERIOD</b>	<b>REVIEWED</b>	<b>CITATIONS</b>
Personal Automobile - Collision	1	1	0
Personal Automobile – Property Damage	3	1	0
Commercial	1	1	0
<b>TOTALS</b>	5	3	0

TABLE OF TOTAL CITATIONS								
Citation	Description	HUIC	HCIC	HFIC	HAIC	HIMW	TCF	P&C
CCR §2695.3(a)	The Company's claim file failed to contain all documents, notes and work papers that pertain to the claim	27	11	1	0	0	1	0
CIC §790.03 (h)(3)	The Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under its insurance policies.	17	15	2	0	5	4	0
CCR §2695.8(b)(1)	The Company failed to include, in the settlement, all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the comparable automobile.	21	2	0	0	0	1	0
CCR §2695.8(b)(1)	The Company failed to explain in writing for the claimant the basis of the fully itemized cost of the comparable automobile.	5	0	0	0	0	0	0
CIC §790.03 (h)(5)	The Company failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear.	5	3	3	0	1	4	0
CCR §2695.7(c)(1)	The Company failed to provide written notice of the need for additional time every 30 calendar days.	3	9	0	0	1	0	0
CCR §2695.7(b)(1)	The Company failed to provide written basis for the denial of the claim.	6	3	0	0	0	0	0
CCR §2695.7(f)	The Company failed to provide written notice of any statute of limitation or other time period requirement not less than 60 days prior to the expiration date.	3	2	0	0	0	0	0

TABLE OF TOTAL CITATIONS								
Citation	Description	HUIC	HCIC	HFIC	HAIC	HIMW	TCF	P&C
CCR §2695.3(b)(2)	The Company failed to record in the file the date the Company received, date the Company processed and date the Company transmitted or mailed every relevant document in the file.	2	1	0	0	0	1	0
CCR §2695.7(h)	Upon acceptance of the claim the Company failed to tender payment within 30 calendar days.	4	1	0	0	0	0	0
CCR §2695.5(b)	The Company failed to respond to communications within 15 calendar days.	2	1	0	0	0	0	0
CCR §2695.7(b)	The Company failed, upon receiving proof of claim, to accept or deny the claim within 40 calendar days.	1	2	0	0	0	0	0
CCR §2695.7(g)	The Company attempted to settle a claim by making a settlement offer that was unreasonably low.	2	0	0	0	0	0	0
CCR §2695.8(b)(1)(C)	The Company failed to document the determination of value. Any deductions from value, including deduction for salvage, must be discernible, measurable, itemized, and specified as well as be appropriate in dollar amount.	0	2	0	0	0	0	0
CCR §2695.5(e)(3)	The Company failed to begin investigation of the claim within 15 calendar days.	1	2	0	0	0	0	0
CCR §2695.8(k)	The Company failed to document the basis of betterment, depreciation, or salvage. The basis for any adjustment shall be fully explained to the claimant in writing.	0	0	1	0	0	0	0
CIC 790.03(h)(15)	The Company misled the claimant as to the applicable statute of limitations.	0	2	0	0	0	0	0

<b>TABLE OF TOTAL CITATIONS</b>								
<b>Citation</b>	<b>Description</b>	<b>HUIC</b>	<b>HCIC</b>	<b>HFIC</b>	<b>HAIC</b>	<b>HIMW</b>	<b>TCF</b>	<b>P&amp;C</b>
CCR §2695.3(b)(3)	The Company failed to maintain hard copy claim files or maintain claim files that are accessible, legible and capable of duplication to hard copy for five years..	0	1	0	0	0	0	0
CCR §2695.4(a)	The Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy.	0	0	0	0	0	0	0
CCR §2695.7(b)(3)	The Company failed to include a statement in its claim denial that, if the claimant believes the claim has been wrongfully denied or rejected, he or she may have the matter reviewed by the California Department of Insurance.	1	0	0	0	0	0	0
CCR §2695.8(i)	The Company failed to provide written notification to a first party claimant as to whether the insurer intends to pursue subrogation.	1	0	0	0	0	0	0
<b>Total Citations</b>		101	57	7	0	7	11	0

## **SUMMARY OF CRITICISMS, INSURER COMPLIANCE ACTIONS AND TOTAL RECOVERIES**

The following is a brief summary of the criticisms that were developed during the course of this examination related to the violations alleged in this report. This report contains only alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al. In response to each criticism, the Companies are required to identify remedial or corrective action that has been or will be taken to correct the deficiency. Regardless of the remedial actions taken or proposed by the Companies, it is the Companies' obligation to ensure that compliance is achieved. Money recovered within the scope of this report was \$956.73.

**1. The Companies failed to properly document claim files.** In 40 instances, the Companies' files failed to contain all documents, notes and work papers. Missing claim documents include rental bills, appraisals and third party subrogation demands. The Companies also indicated some file documents were in transit to archive but were not produced during the exam process. The Department alleges these acts are in violation of CCR §2695.3(a).

**Summary of Companies Response:** The Companies acknowledge that the files in question did not contain certain documents. It is the Companies' policy to maintain all pertinent documents in the claim files. The Companies issued a memorandum on October 16, 2003 to staff indicating the examiners' concerns and reaffirming the Companies' policy.

**2. The Companies failed to adopt and implement reasonable standards for the prompt investigation and processing of claims.** In 43 instances, the Companies failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under its insurance policies. These violations reflect instances of gaps in file activity, files closed in error, failure or delays in issuing notices under Workers' Compensation, failure to follow Companies' guidelines etc. The Department alleges these acts are in violation of CIC §790.03 (h)(3).

**Summary of Companies Response:** The Companies assert that they do in fact have reasonable standards as set forth in the Companies' best practices that govern the procedures with which their staffs and outside vendors are required to comply with when handling claims. Additionally, while the Companies agree that there were some instances where procedures were not adhered to when settling claims, the Companies do not believe the Department has identified a sufficient number of claim files to constitute evidence of the level of "frequency as to indicate a general business practice."

**3. The Companies failed to include, in the settlement, all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the comparable automobile and/or failed to explain in writing for the claimant the basis of the fully itemized cost of the comparable automobile.** In 24 instances, the Companies failed to include in the settlement, all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the comparable automobile. In five instances, the Company failed to explain in writing for the claimant the basis of the fully itemized cost of the comparable automobile. In the former violation a number of files failed to include the \$3.00 salvage fee due in settlements in which the owner of the vehicle elects to retain salvage. Also the Companies prorate DMV "one time" fees

such as CHP and smog etc. as opposed to including the full amount in the settlement. The Department alleges these acts are in violation of CCR §2695.8(b)(1).

**Summary of Companies Response:** The Companies advise that at one time they were not including the \$3.00 salvage certificate fee as their interpretation of the regulation governing payment of this fee did not require reimbursement to the claimant. As a result of continuing discussions with the Department, it is now their policy to do so on a going forward basis. Further the Companies indicate that they pay all fees associated with total loss settlements as required by CCR §2595.8(b)(1). This includes fees based on the claimant's county such as CHP fee and smog fee etc. While the Companies pay these "one time" fees on a pro-rated basis, it is the Department's position that these types of fees should be paid in full. The Companies disagree with the Department's position and believe that its interpretation of the cited regulation is reasonable. The Companies contend that the regulation, as currently drafted, does not prohibit an insurer from prorating registration and other miscellaneous DMV fees that the claimant paid in connection with the totaled vehicle. Additionally, it is the Companies' interpretation that such fees may be prorated so that only the unused portion is included in the final settlement amount and they are not required to pay settlement amounts that would in effect create a windfall to the claimant. Lastly, the Companies contend that it is not reasonable for an insurer to be required to reimburse a claimant for a portion of fees that has already been used.

As regards the proration of "one time" miscellaneous DMV fees this is an unresolved issue and may lead to administrative action.

The Companies do acknowledge that there were instances where adjusters failed to include all appropriate fees and existing procedures have been reaffirmed with pertinent staff.

The Companies utilize NADA Title and Registration textbook (2003) to assist with the calculation of specific fees. The Companies are currently in the process of researching an on-line option to retrieve current registrations to assist with fee payments on total loss calculations.

The Company indicates the failure to fully explain the total loss settlement in writing is the result of adjuster oversight as the standard policy is to issue appropriate written explanations. This policy has been reaffirmed with all pertinent staff.

**4. The Companies failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear.** In 16 instances, the Companies failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear. The Department alleges these acts are in violation of CIC §790.03 (h)(5). Six of the instances cited were noted as failure to pay or delayed payment under Workers Compensation. The remaining citations involve three instances of failure to pay the \$3.00 salvage certificate fee on third party total losses, isolated errors involving e.g., betterment on sales tax, application of sales tax to the depreciation amount, depreciation on overhead and profit subtracted from the settlement amount.

**Summary of Companies Response:** It is the Companies' policy to effectuate prompt, fair and equitable settlement of all claims and this has been reaffirmed with all pertinent staff to ensure compliance. The \$3.00 salvage certificate fee, as noted in item 2 above, was not

previously included in the total loss settlement in cases where the owner retained salvage based on the Companies view that the statute was ambiguous as to the insurer's duties in such situations. As a result of continuing discussions with the Department, the Companies have changed their practice and are including the fee on a going forward basis on owner retained salvage. Additionally, the Companies disagree with the Department's position that sales tax may not be included in betterment calculations. It is the Companies' position that there is no prohibition within the fair claims regulations that specifically provide that betterment on sales tax may not be taken. However, based on discussions with the Department, the Companies have changed their practice as regards betterment and will no longer be taking betterment when settling claims.

Finally, while the Companies agree there were some isolated instances where the Companies' policies were not adhered to when settling claims, they do not believe the Department has identified a sufficient number of claim files to constitute evidence of the level of "frequency as to indicate a general business practice" as contemplated by CIC § 790.03(h)(5).

**5. The Companies failed to provide written notice of the need for additional time every 30 calendar days.** In 13 instances, the Companies failed to provide written notice of the need for additional time every 30 calendar days. Written notices were either not sent as required or failed to specify information needed and time element required under the cited regulation. The Department alleges these acts are in violation of CCR §2695.7(c)(1).

**Summary of Companies Response:** The Companies acknowledge the violations. It is the Companies' policy to provide the written notice as required and this was reaffirmed with all pertinent staff in a management memo dated October 22, 2003..

**6. The Companies failed to provide written basis for the denial of the claim.** In nine instances, the Companies failed to provide written basis for the denial of the claim. The Department alleges these acts are in violation of CCR §2695.7(b)(1).

**Summary of Companies Response:** It is the Companies' policy to provide the written basis for denial of the claim as required and this has been reaffirmed with all pertinent staff to ensure compliance with CCR §2695.7(b)(1).

**7. The Companies failed to provide written notice of any statute of limitation 60 days prior to the expiration date.** In five instances, the Companies failed to provide written notice of any statute of limitation or other time period requirement not less than 60 days prior to the expiration date. The Department alleges these acts are in violation of CCR §2695.7(f).

**Summary of Companies Response:** It is the Companies' policy to provide the written notice of the statute limitation or other time period requirement. To this end, the policy was reaffirmed with all pertinent staff to ensure compliance with CCR §2695.7(f).

**8. Upon acceptance of the claim the Companies failed to tender payment within 30 calendar days.** In five instances, upon acceptance of the claim the Companies failed to tender

payment within 30 calendar days. The Department alleges these acts are in violation of CCR §2695.7(h).

**Summary of Companies Response:** It is the Companies' policy to tender payment within 30 calendar days upon acceptance of the claim. To this end, the policy was reaffirmed with all pertinent staff to ensure compliance with CCR §2695.7(h).

**9. The Companies failed to record claim data in the file.** In four instances, the Companies failed to record the date the Companies received, date the Companies processed and date the Companies transmitted or mailed every relevant document in the file. The Department alleges these acts are in violation of CCR §2695.3(b)(2).

**Summary of Companies Response:** It is the Companies' policy to record dates of receipt of relevant documents. To this end, the policy was reaffirmed with all pertinent staff to ensure compliance with CCR §2695.3(b)(2).

**10. The Companies failed to respond to communications within 15 calendar days.** In three instances, the Companies failed to respond to communications within 15 calendar days. The Department alleges these acts are in violation of CCR §2695.5(b).

**Summary of Companies Response:** It is the Companies' policy to respond to communications within 15 calendar days. To this end, the policy was reaffirmed with all pertinent staff to ensure compliance with CCR §2695.5(b).

**11. The Companies failed to begin investigation of the claim within 15 calendar days.** In three instances, the Companies failed to begin investigation of the claim within 15 calendar days. The Department alleges these acts are in violation of CCR §2695.5(e)(3).

**Summary of Companies Response:** It is the Companies' policy to begin investigation of the claim within 15 calendar days. To this end, The policy was reaffirmed with all pertinent staff to ensure compliance with CCR §2695.5(e)(3).

**12. The Companies failed to accept or deny the claim within 40 calendar days.** In three instances, the Companies failed, upon receiving proof of claim, to accept or deny the claim within 40 calendar days. The Department alleges these acts are in violation of CCR §2695.7(b).

**Summary of Companies Response:** It is the Companies' policy, upon receiving proof of claim, to accept or deny the claim within 40 calendar days. To this end, the policy was reaffirmed with all pertinent staff to ensure compliance with CCR §2695.7(b).

**13. The Company attempted to settle a claim by making a settlement offer that was unreasonably low.** In two instances, the Company attempted to settle a claim by making a settlement offer that was unreasonably low. These violations include settlement of claim below range provided by Company's injury evaluation vendor and deducting sales tax as a part of betterment. The Department alleges these acts are in violation of CCR §2695.7(g).



**Summary of Company Response:** It is the Company's policy to settle all claims reasonably. This was reaffirmed with all pertinent staff to ensure compliance with CCR §2695.7(g). The Company asserts that there were no instances where they attempted to achieve an unreasonably low settlement.

This is an unresolved issue and may lead to administrative action.

**14. The Company failed to document the determination of value.** In two instances, the Company failed to document the determination of value. Any deductions from value, including deduction for salvage, must be discernible, measurable, itemized, and specified as well as be appropriate in dollar amount. The Department alleges these acts are in violation of CCR §2695.8(b)(1)(C).

**Summary of Company Response:** It is the Company's policy to document the determination of value and that any deduction be measurable, itemized and specified as well as appropriate in dollar amount.. To this end, the policy was reaffirmed with all pertinent staff to ensure compliance with CCR §2695.8(b)(1)(C).

**15. The Company misled the claimant as to the applicable statute of limitations.** In two instances, the Company's letters failed to clearly specify the statute of limitations applicability. The Department alleges these acts are in violation of CIC §790.03(h)(15).

**Summary of Company Response:** It is the Company's policy to clearly specify the applicable statute of limitations information in all letters.. This policy has been reaffirmed with all pertinent staff to ensure compliance with CIC §790.03(h)(15).

**16. The Company failed to document the basis of betterment, depreciation, or salvage. The basis for any adjustment shall be fully explained to the claimant in writing.** In one instance, the Company failed to document the basis of betterment, depreciation, or salvage. The basis for any adjustment shall be fully explained to the claimant in writing. The Department alleges this act is in violation of CCR §2695.8(k).

**Summary of Company Response:** It is the Company's policy to document the basis of betterment, depreciation, or salvage and to fully explain this to the claimant in writing. This policy has been reaffirmed with all pertinent staff to ensure compliance with CCR §2695.8(k). As noted in item 4 above, based on discussions with the Department, the Company has changed their practice with respect to betterment when settling claims.

**17. The Companies failed to comply with the Fair Claims Practices Regulations** In one instance each, the Companies failed to comply with the following Fair Claims Practices Regulations: CCR 2695.3(b)(3), CCR 2695.7(b)(3) and CCR 2695.8(i).

**Summary of Companies Response:** It is the Companies' policy to comply with the various provisions contained within the Fair Claims Practices Regulations. This policy has been reaffirmed with all pertinent staff to ensure compliance with the cited regulations..